

Appendix E

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Appendix F**Summary of Refund Owed to Ratepayers
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B**

	1997 Sharable Earnings Owed to Ratepayers	1998 Sharable Earnings Owed to Ratepayers	TOTAL
Refund Amount	\$0	\$0	\$0

Appendix G

Summary of Sharable Earnings Pacific Bell Intrastate Regulated Operations Phases 2A and 2B

		1997	1998	1999
1.	Adopted Net Operating Income	\$745,019,105	\$988,586,658	\$1,167,073,215
2.	Adopted Rate Base	\$9,817,041,371	\$10,011,529,229	\$9,893,762,282
3.	Rate of Return	7.59%	9.87%	11.80%
4.	Sharing Trigger	11.50%	11.50%	N/A
5.	ROR above Trigger	0.00%	0.00%	N/A
6.	Total Sharable Earnings: ROR above Trigger Times Adopted Rate Base (Row 5 x Row 2)	\$0	\$0	--
7.	Ceiling Rate of Return (15%)	15%	15%	--
8.	Sharable Earnings over Ceiling ROR (Row 3 - Row 7 x Row 2)	\$0	\$0	--
9.	Sharable Earnings Between Trigger and Ceiling (Row 6 - Row 8)	\$0	\$0	--
10.	Ratepayer Portion (30%) of Sharable Earnings over Ceiling (Row 8 x 30%)	\$0	\$0	--
11.	Ratepayer Portion (50%) of Sharable Earnings between Trigger and Ceiling (Row 9 x 50%)	\$0	\$0	--
12.	Total Ratepayer Portion of Sharable Earnings (Row 10 + Row 11)	\$0	\$0	--
13.	Tax Gross-up Factor (1/(1-0.40746))	168.76%	168.76%	--
14.	Ratepayer Amount With Gross-up (Row 12 x Row 13)	\$0	\$0	--

Appendix H
Financial Summary of Adopted Errors
Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B

		1997	1998	1999	Reference
1.	Net Operating Income Reported by Pacific Bell	\$652,499,328	\$922,472,419	\$962,198,083	Exhibit Phase 2A: 400, p. 11. Appendix I of today's Decision. Appendix I of today's Decision.
2.	Adopted Adjustments: Phase 2A	(\$7,924,000)	(\$107,415,000)	\$234,474,000	
3.	Adopted Adjustments: Phase 2B	\$100,443,777	\$173,529,239	(\$29,598,868)	
4.	Adopted Net Operating Income	\$745,019,105	\$988,586,658	\$1,167,073,215	
5.	Rate Base Reported by Pacific Bell	\$10,057,145,000	\$10,170,675,000	\$9,963,603,000	Exhibit Phase 2A: 404, Attach. 11-21. Appendix J of today's Decision. Appendix J of today's Decision.
6.	Adopted Adjustments: Phase 2A	-	\$43,446,454	\$132,371,666	
7.	Adopted Adjustments: Phase 2B	(\$240,103,629)	(\$202,592,225)	(\$202,212,384)	
8.	Adopted Rate Base	\$9,817,041,371	\$10,011,529,229	\$9,893,762,282	
9.	Rate of Return Reported by Pacific Bell	6.49%	9.07%	9.66%	Exhibit Phase 2A: 400, p. 11. Note 1, Line 21. Note 1, Line 22.
10.	Adopted Adjustments: Phase 2A	-0.08%	-1.04%	2.24%	
11.	Adopted Adjustments: Phase 2B	1.18%	1.85%	-0.10%	
12.	Adopted Rate of Return	7.59%	9.87%	11.80%	

Line 4/Line 8, or Line 9 + Line 10 + Line 11.

Note 1: ROR Impact of Adopted Adjustments

	1997	1998	1999	
13. ROR Impact of Phase 2A Adjustments	-0.08%	-1.09%	2.20%	((Line 1 + Line 2)/(Line 5 + Line 6)) - (Line 1/Line 5).
14. ROR Impact of Phase 2B Adjustments	1.18%	1.93%	-0.10%	((Line 1 + Line 3)/(Line 5 + Line 7)) - (Line 1/Line 5).
15. Subtotal	1.10%	0.84%	2.10%	Line 13 + Line 14
16. Proportionate Impact - Phase 2A	-7.27%	-129.76%	104.76%	Line 13/Line 15
17. Proportionate Impact - Phase 2B	107.27%	229.76%	-4.76%	Line 14/Line 15
18. Adopted Rate of Return	7.59%	9.87%	11.80%	Line 12
19. Reported Rate of Return	6.49%	9.07%	9.66%	Line 9
20. Difference	1.10%	0.80%	2.14%	Line 18 - Line 19
21. Difference Attributable to Phase 2A Adjustments	-0.08%	-1.04%	2.24%	Line 16 x Line 20
22. Difference Attributable to Phase 2B Adjustments	1.18%	1.85%	-0.10%	Line 17 x Line 20
23. Total	1.10%	0.80%	2.14%	Line 21 + Line 22

Appendix I**Summary of Adopted Errors to Net Operating Income (NOI) - Pacific Bell Intrastate Regulated Operations
Phases 2A and 2B**

Adopted Adjustments to NOI ¹		1997	1998	1999	Total
Phase 2A					
1. Pension Trust Fund Withdrawal	-	-	-	\$40,737,000	\$40,737,000
3. SFAS 106 - VEBA 3 to VEBA 5 Transfer	\$5,829,000	(\$5,829,000)	-	-	\$0
5. Income Tax Flow Through - Phase 2A Issues	(\$13,753,000)	(\$101,586,000)	\$193,737,000	\$78,398,000	
6. Subtotal Phase 2A	(\$7,924,000)	(\$107,415,000)	\$234,474,000	\$119,135,000	
Phase 2B					
7. SBC Ops. SFAS 106 Merger Conforming Expense	-	-	\$1,656,603	\$1,656,603	
8. AMDOC Awards SBC Operations	-	-	\$252,655	\$252,655	
9. SBC Ops. Excess Executive Compensation	-	\$481,010	\$625,082	\$1,106,092	
10. SBC Ops. Sec. Allocation of Parent Mgt. Fees	-	\$291,835	\$270,743	\$562,578	
11. SBC Ops. Call Ctr. Deprec., Merger Implement. Expense	-	\$237,025	-	\$237,025	
12. SBC Svcs. Excess Executive Compensation	-	\$162,893	\$134,581	\$297,474	
13. SBC Svcs., CFL, TRI Sec. Alloc. of Parent Mgt. Fees	-	\$265,789	\$216,392	\$482,181	
14. Parent Excess Executive Compensation	\$1,472,683	\$6,834,760	\$7,089,914	\$15,397,357	
15. Parent Political and Legislative Influence Expense	\$8,574,885	\$10,009,837	\$4,186,554	\$22,771,276	
16. Parent Legal Expense	-	\$438,876	\$212,061	\$650,937	
17. Parent Public Relations & Corp. Sponsorship Expense	\$1,700,568	\$8,583,357	\$8,818,057	\$19,101,982	
18. Parent Corporate Development Expense	-	\$3,068,824	\$3,506,106	\$6,574,930	
19. Parent Strategic Planning Expense	\$1,675,592	\$532,041	\$409,813	\$2,617,446	
20. Parent Contributions, Memberships, Foundation Expense	\$161,013	\$657,620	(\$3,067,831)	(\$2,249,198)	
21. Parent Out of Period Expense	(\$3,442,873)	\$3,360,784	-	(\$82,089)	
22. Parent Merger Conforming Expense	-	-	\$454,553	\$454,553	
23. Parent Impact of Adjustmts. on Billings to PacBell Direct.	\$770,974	\$3,914,927	\$4,453,797	\$9,139,698	
24. MSI USA Excess Executive Comp. Billed Directly	-	-	\$2,001,766	\$2,001,766	
25. Parent PB Employee Transfer Fees Billed to PacBell	\$626,616	-	-	\$626,616	
26. Nevada Bell Net Directory Revenue	-	-	(\$11,253,000)	(\$11,253,000)	
30. Customer Service Non-Productive Salary Allocations	(\$1,039,093)	(\$3,366,101)	(\$4,813,537)	(\$9,218,731)	
32. Non-regulated Tracking Code Direct Assignment Errors	\$7,398	\$4,250,163	\$3,237,874	\$7,495,435	
33. National-Local Strategy Implementation	-	-	\$3,695,373	\$3,695,373	
34. 1997 Corporate Sponsorship Costs	\$1,014,546	-	-	\$1,014,546	
35. Customer Premise Equipment Costs	-	\$10,097,537	\$3,467,830	\$13,565,367	
36. Unsupported Contingent Liabilities - Revenues	\$23,976,238	-	-	\$23,976,238	
37. Bellcore Dividends	\$3,883,507	-	-	\$3,883,507	
38. Uncollect. Revenues - RCRMS (PacBell repts. flows thru)	-	-	-	\$0	
39. Gain on Sale of Bellcore	\$9,122,587	-	-	\$9,122,587	
40. Local Number Portability Costs	\$51,313,964	\$27,904,486	\$22,306,761	\$101,525,211	
42. Merger Savings	-	\$2,488,668	\$2,488,668	\$4,977,336	
43. Advanced Communications Network	\$17,846,219	\$4,284,040	\$2,226,486	\$24,356,745	
45. Unsupported Contingent Liabilities - Operating Expense	\$52,834,609	\$1,134,101	\$6,971,314	\$60,940,024	
47. ISP-Bound Traffic Separations	(\$11,329,359)	-	-	(\$11,329,359)	
48. Uncollectible Settlements - RCRMS	-	-	-	\$0	
49. SFAS 112	-	-	-	\$0	
51. SAVR Delayed Retirements	-	-	-	\$0	
53. Equal Access IEMR Ratemaking Adjustment	-	(6,477,055)	-	(\$6,477,055)	
54. Ameritech Income Tax Misclassification	-	-	-	\$0	
55. Excess Deferred Income Tax	-	-	-	\$0	
56. Sales and Use Tax Accrual	-	-	-	\$0	
57. Employment Tax Error	-	-	-	\$0	
58. PIU Accrual	(\$8,694,340)	-	-	(\$8,694,340)	
59. USOA Re-write Turnaround Accrual	(\$13,701,303)	-	-	(\$13,701,303)	
60. LNP Depreciation	\$687,346	\$1,586,822	\$2,516,517	\$4,790,685	
62. Income Tax Flow Through - Phase 2B Issues	(\$37,018,000)	\$92,787,000	(\$91,664,000)	(\$35,895,000)	
63. Subtotal Phase 2B	100,443,777	173,529,239	(\$29,598,868)	\$244,374,148	
64. Total Phase 2A and 2B	\$92,519,777	\$66,114,239	\$204,875,132	\$363,509,148	

Note 1: All amounts are after-tax (normalized) revenues or expenses, except for the adjustment for flow-through tax accounting, which represents the effect of using flow-through tax accounting instead of normalized tax accounting with respect to Phase 2A and 2B issues.

Appendix J

Summary of Adopted Errors to Rate Base Pacific Bell Intrastate Regulated Operations Phases 2A and 2B

Adopted Adjustments to Rate Base	1997	1998	1999	Total	Reference
<u>Phase 2A</u>					
Accumulated Deferred Income Tax (Note 1)	\$0	\$43,446,454 (Note 2)	\$132,371,666 (Note 3)	\$175,818,120	See Footnotes 1,2&3 below
Subtotal Phase 2A	\$0	\$43,446,454	\$132,371,666	\$175,818,120	
<u>Phase 2B</u>					
SFAS 106 Accrued Liability	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 31
SFAS 112 Accrued Liability	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 29
Vacation Liability	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 30
Accrued Contingent Liability	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 32
Depreciation Expense Timing Adjustment	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 60a
Cash Working Capital	(\$142,169,000)	(\$91,320,000)	(\$91,103,000)	(\$324,592,000)	Phase 2B Decision, Appendix A, Index No. 27
Prepaid Directory Expense	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 28
Restructure Reserve	(\$29,070,727)	(\$29,024,711)	(\$28,975,159)	(\$87,070,597)	Phase 2B Decision, Appendix A, Index No. 35
Accumulated Reserve for Depreciation	\$3,239,878	\$5,250,685	\$4,021,615	\$12,512,178	Phase 2B Decision, Appendix A, Index No. 36
Excess Deferred Income Tax	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 38
LNP Rate Base	(\$14,315,457)	(\$32,338,163)	(\$42,836,992)	(\$89,490,612)	Phase 2B Decision, Appendix A, Line No. 70
AFUDC	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 71
PBOP Pre-Funding Plant Adj.	\$0	\$0	\$0	\$0	Phase 2B Decision, Appendix A, Index No. 72
Accumulated Deferred Income Tax	(\$57,788,323)	(\$55,160,036)	(\$43,318,848)	(\$156,267,207)	Phase 2B Decision, Appendix A, Index No. 37
Subtotal Phase 2B	(\$240,103,629)	(\$202,592,225)	(\$202,212,384)	(\$644,908,238)	
Total Phase 2A and 2B	(\$240,103,629)	(\$159,145,771)	(\$69,840,718)	(\$469,090,118)	

Note 1: All of the Phase 2A adjustment to accumulated deferred income tax relates to the CHCF-B. The source of the information is Overland Exhibit Phase 2A: 404, Volume 2, Attachment 9-10.

Note 2: $43,446,454 = ((110,252,000 - 0)/2) * 0.78813$

Note 3: $132,371,666 = ((222,880,000 - 110,252,000)/2) * 0.79471$

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH ADJUSTMENT
YEAR 1997
(\$000)

	----- Recorded FCC BASIS ----- Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments		IEMR Adjustments	Total Intrastate E+F+G+H	Change in Deferred (i.e., Normalized) Income Tax Exp. Caused by Audit Adjustment	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I+J	Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
	Federal Income Tax	State Income Tax	Total A+B	Separations Factor	Intrastate C x D	Federal	State					Phase 2A	Phase 2B
	A	B	C	D	E	F	G	H	I	J	K	L	M
1. Pension	132,186	36,908	169,094	0.7774	131,455	(122,619)	(34,036)		(25,200)		(25,200)	(25,200)	
2. SFAS 106	(29,474)	(8,166)	(37,640)	0.7774	(29,262)	46,155	12,968	(22,423)	7,438	4,009	11,447	11,447	
3. FCC vs. CPUC Depreciation		2,447	2,447	0.7774	1,902	0	1,982		3,884		3,884		3,884
4. Advanced Communications Network	17,910	4,962	22,872	0.7774	17,781				17,781		17,781		17,781
5. Capitalized Software	(5,421)	(1,502)	(6,923)	0.7774	(5,382)				(5,382)		(5,382)		(5,382)
6. State Income Tax Accrual		0	0	0.7774	0				0		0		0
7. Vacation Pay Accrual	(22,179)	(6,145)	(28,324)	0.7774	(22,019)	17,964	4,977		922		922		922
8. Team Award	(1,416)	(392)	(1,808)	0.7774	(1,406)	(3,133)	(868)		(5,407)		(5,407)		(5,407)
9. Transfer Pricing CPUC vs. FCC			0	0.7774	0	4,393	1,217		5,610		5,610		5,610
10. Restructuring Reserve			0	0.7774	0	36,751	10,443	(35,943)	11,251		11,251		11,251
11. Monthly Accrual and Reversal			0	0.7774	0	(36,802)	(10,227)		(47,029)		(47,029)		(47,029)
12. Contingent Liabilities			0	0.7774	0	(44,751)	(12,466)		(57,217)	52,819	(4,398)		(4,398)
13. Merger Refund Accrual	(64,783)	(17,949)	(82,732)	0.7774	(64,317)			80,253	15,936		15,936		15,936
14. Community Partnership	(15,931)	(4,414)	(20,345)	0.7774	(15,816)			16,295	479		479		479
15. Prior Year True Up	13,073	1,760	14,833	0.7774	11,531				11,531		11,531		11,531
16. Other Small Items	(22,438)	(5,971)	(28,409)	0.7774	(22,085)	(153)	(4,954)	396	(26,796)	(15,400)	(42,197)		(42,197)
17. Total	1,527	1,538	3,065		2,383	(102,195)	(30,964)	38,578	(92,198)		(50,771)	(13,753)	(37,018)
Reference:	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 2.
 Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 4.
 Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.
 Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 1. Column
 Total of (102,195) = 47,103 (Attachment 9-6, p. 2) - 149,298 (Exhibit 404, Attachment 9-
 Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 2.
 Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p.1.
 Note 7: See supporting schedule in Appendix L.

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH CORRECTION
YEAR 1998
(\$000)

	----- Recorded FCC BASIS ----- Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments		IEMR Adjustments	Total Intrastate E+F+G+H	Change in Deferred (i.e., Normalized) Income Tax Exp. Caused by Audit Adjustment	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I+J	Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
	Federal Income Tax	State Income Tax	Total A+B	Separations Factor	Intrastate C x D	Federal	State					Phase 2A	Phase 2B
	A	B	C	D	E	F	G	H	I	J	K	L	M
1. Pension	29,578	8,195	37,773	0.7713	29,134	(57,025)	(15,800)		(43,691)		(43,691)	(43,691)	
2. SFAS 106	7,198	1,994	9,192	0.7713	7,090	2,357	653	(162,985)	(152,885)	(4,009)	(156,894)	(156,894)	
3. CHCF-B	100,506	27,847	128,353	0.7713	98,999				98,999		98,999	98,999	
4. FCC vs. CPUC Depreciation		(16,356)	(16,356)	0.7713	(12,615)	0	13,464		849		849		849
5. Advanced Communications Network	(1,351)	(374)	(1,725)	0.7713	(1,330)				(1,330)		(1,330)		(1,330)
6. Capitalized Software	10,064	2,788	12,852	0.7713	9,913				9,913		9,913		9,913
7. State Income Tax Accrual	0	0	0	0.7713	0				0		0		0
8. Team Award	36,973	10,244	47,217	0.7713	36,418				36,418	0	36,418		36,418
9. Vacation Pay Accrual	215	59	274	0.7713	211	(3,420)			(3,209)		(3,209)		(3,209)
10. Restructuring Reserve			0	0.7713	0				0		0		0
11. Monthly Accrual and Reversal			0	0.7713	0	10,721	3,215		13,936		13,936		13,936
12. Contingent Liabilities			0	0.7713	0	5,142	1,433		6,575	780	7,355		7,355
13. Internet Contested Traffic MOU	(17,717)	(4,909)	(22,626)	0.7713	(17,451)				(17,451)		(17,451)		(17,451)
14. Transfer Pricing CPUC vs. FCC			0	0.7713	0	20,166	5,587		25,753		25,753		25,753
15. Merger Refund Accrual	12,381	3,481	15,862	0.7713	12,234			(11,437)	797		797		797
16. Community Partnership	2,125	589	2,714	0.7713	2,093			(2,527)	(434)		(434)		(434)
17. Prior Year True Up			0	0.7713	0				0		0		0
18. Tax Reserve			0	0.7713	0	30,047			30,047		30,047		30,047
19. Other Small Items	(21,139)	5,820	(15,319)	0.7713	(11,816)	4,774	(2,815)		(9,857)	0	(9,857)		(9,857)
17. Total	158,833	39,378	198,211		152,880	12,762	5,737	(176,949)	(5,570)	(3,229)	(8,799)	(101,586)	92,787
Reference:	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 3.
 Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 6.
 Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.
 Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 3. Column
 Total of 12,762 = 48,057 (Attachment 9-6, p. 2) - 35,295 (Exhibit 404, Attachment 9-4, p.
 Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 4.
 Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p.1.
 Note 7: See supporting schedule in Appendix L.

Appendix K

PACIFIC BELL
Phases 2A and 2B
INCOME TAX FLOW-THROUGH CORRECTION
YEAR 1999
(\$000)

	----- Recorded FCC BASIS ----- Deferred (i.e., Normalized) Income Tax Expense					Jurisdictional Adjustments		IEMR Adjustments H	Total Intrastate E+F+G+H I	Change in Deferred (i.e., Normalized) Income Tax Exp. Caused by Audit Adjustment J	Deferred (i.e., Normalized) Income Tax Exp. Net of Audit Adjust. I-J K	Increase (Decrease) to Net Operating Income by Removing Deferred (i.e., Normalized) Income Tax Exp.	
	Federal Income Tax A	State Income Tax B	Total A+B C	Separations Factor D	Intrastate C x D E	Federal F	State G					Phase 2A L	Phase 2B M
1. Pension	181,445	32,369	213,814	0.7725	165,178	(60,101)	(13,905)		91,172		91,172	91,172	
2. SFAS 106	(34,441)	(9,072)	(43,513)	0.7725	(33,615)	2,791	758		(30,066)	28,012	(2,054)	(2,054)	
3. CHCF-B	106,977	28,447	135,424	0.7725	104,619				104,619		104,619	104,619	
4. FCC vs. CPUC Depreciation		(5,589)	(5,589)	0.7725	(4,318)		(18,515)		(22,833)		(22,833)		(22,833)
5. Advanced Communications Network	(49,865)	(13,036)	(62,901)	0.7725	(48,593)				(48,593)		(48,593)		(48,593)
6. Capitalized Software	18,499	3,969	22,468	0.7725	17,357				17,357		17,357		17,357
7. AIT Merger Severance Accrual	(8,111)	(2,247)	(10,358)	0.7725	(8,002)				(8,002)	8,002	0		0
8. Savings Plan Contribution	(22,810)	(5,170)	(27,980)	0.7725	(21,615)				(21,615)		(21,615)		(21,615)
9. State Income Tax Cash Basis	0		0	0.7725	0				0		0		0
10. Team Award	(25,551)	(8,649)	(34,200)	0.7725	(26,421)				(26,421)		(26,421)		(26,421)
11. Vacation Pay Accrual	(16,580)	(4,759)	(21,339)	0.7725	(16,485)	4,749	1,445		(10,291)		(10,291)		(10,291)
12. Restructuring Reserve			0	0.7725	0				0		0		0
13. Monthly Accrual and Reversal			0	0.7725	0	3,691	(9,863)		(6,172)		(6,172)		(6,172)
14. Contingent Liabilities			0	0.7725	0	9,813	1,957		11,770	4,794	16,564		16,564
15. Internet Contested Traffic MOU	(18,895)	(3,298)	(22,193)	0.7725	(17,145)				(17,145)		(17,145)		(17,145)
16. Transfer Pricing CPUC vs. FCC	(10,847)	(2,854)	(13,701)	0.7725	(10,584)	9,994	2,907		2,317		2,317		2,317
17. Merger Refund Accrual	22,303	4,584	26,887	0.7725	20,771			(13,810)	6,961		6,961		6,961
18. Community Partnership	1,696	44	1,740	0.7725	1,344			548	1,892		1,892		1,892
19. Prior Year True Up			0	0.7725	0				0		0		0
20. Tax Reserve	19,011		19,011	0.7725	14,687				14,687		14,687		14,687
21. Other Small Items	7,919	5,465	13,384	0.7725	10,340	(7,409)	(1,229)	(74)	1,628	0	1,628		1,628
22. Total	170,750	20,204	190,954		147,518	(36,472)	(36,445)	(13,336)	61,265	40,808	102,073	193,737	(91,664)
Reference:	Note 1	Note 2		Note 3		Note 4	Note 5	Note 6		Note 7			

References

- Note 1: Overland Exhibit Phase 2A: 402, Part 2, Attachment S9-1, p. 4.
Note 2: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 8.
Note 3: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p. 1.
Note 4: Overland Exhibit Phase 2A: 404, Attachment 9-6, p. 2, less Attachment 9-4, p. 5. Column Total of (36,472) = 229,618 (Attachment 9-6, p. 2) - 266,094 (Exhibit 404, Attachment 9-4, p. 5).
Note 5: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-4, p. 6.
Note 6: Overland Exhibit Phase 2A: 404, Vol. 2, Attachment 9-6, p.1.
Note 7: See supporting schedule in Appendix L.

Appendix L

Pacific Bell - - Phases 2A and 2B

Reconciliation of Income Tax Normalization & Flow Through for Adopted Audit Errors Other than CHCF-B

		1997 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
		Adopted Audit Adj.	Tax Rate	Normalized Tax Effect	After-Tax Effect
Adjustment Description	Reference ¹				
SFAS 106: VEBA 3 Transfer	2A Decision, Appendix H, Line 7	9,838,000	40.746%	(4,008,591)	5,829,409
Unsupported Contingent Liabilities:					
Revenues	Index No. 1	40,463,493	40.746%	(16,487,255)	23,976,238
Operating Expense	Index No. 10	89,166,316	40.746%	(36,331,707)	52,834,609
Total Unsupported Contingent Liabilities		129,629,809		(52,818,962)	76,810,847
Other Small Items					
Local Competition	Index No. 6		40.746%	-	-
Incentive Pay Accrual	Index No. 11		40.746%	-	-
Uncollectible Settlements - RCRMS	Index No. 13		40.746%	-	-
SFAS 112	Index No. 16		40.746%	-	-
Sales and Use Tax	Index No. 25		40.746%	-	-
PIU Accrual	Index No. 68 (Index shows after tax.)	(14,673,001)	40.746%	5,978,661	(8,694,340)
USOA Rewrite Turnaround Accrual	Index No. 69 (Index shows after tax.)	(23,123,001)	40.746%	9,421,698	(13,701,303)
Total Other Small Items		(37,796,002)		15,400,359	(22,395,643)
TOTAL		101,671,807		(41,427,194)	60,244,613

		1998 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
		Adopted Audit Adj.	Tax Rate	Normalized Tax Effect	After-Tax Effect
Adjustment Description	Reference ¹				
SFAS 106: VEBA 3 Transfer	2A Decision, Appendix H, Line 14	(9,838,000)	40.746%	4,008,591	(5,829,409)
Contingent Liability Expense	Index No. 10	1,913,966	40.746%	(779,865)	1,134,101
Incentive Pay Accrual	Index No. 11		40.746%	-	-
Other Small Items					
Local Competition	Index No. 6		40.746%	-	-
Uncollectible Settlements - RCRMS	Index No. 13		40.746%	-	-
Sales and Use Tax	Index No. 25		40.746%	-	-
Total Other Small Items		-		-	-
TOTAL		(7,924,034)		3,228,727	(4,695,307)

		1999 Increase/(Decrease) to Pacific's NOI Intrastate Regulated Amounts			
		Adopted Audit Adj.	Tax Rate	Normalized Tax Effect	After-Tax Effect
Adjustment Description	Reference ¹				
Pension Trust Fund Withdrawal	Exhibit Phase 2A: 409, Table 7 of 7	68,749,000	40.746%	(28,012,468)	40,736,532
Contingent Liability Expense	Index No. 10	11,765,136	40.746%	(4,793,822)	6,971,314
Incentive Pay Accrual	Index No. 11		40.746%	-	-
Other Small Items					
Software Buy-Out Agreement	Index No. 9		40.746%	-	-
Uncollectible Settlements - RCRMS	Index No. 13		40.746%	-	-
Sales and Use Tax	Index No. 25		40.746%	-	-
Employment Tax Error	Index No. 26		40.746%	-	-
Total Other Small Items		-		-	-
TOTAL		80,514,136		(32,806,290)	47,707,846

Note 1: All References to Phase 2B Decision, Appendix A, except as noted.